

MAYOR AND CITY COUNCIL



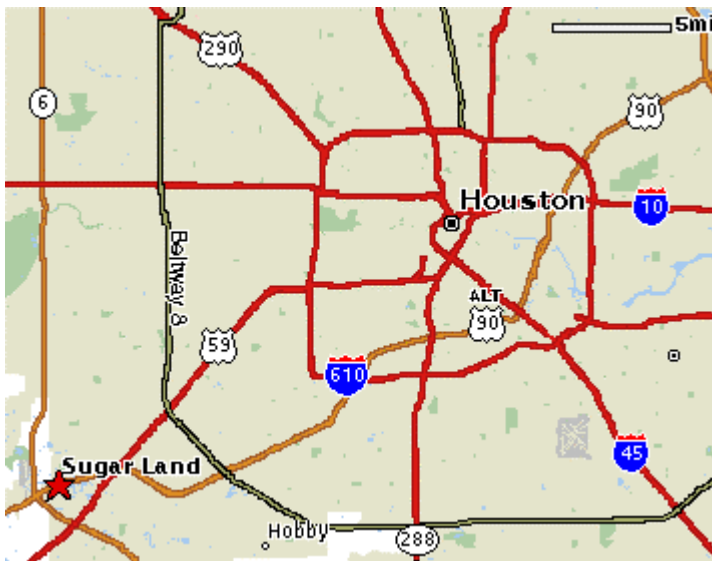
Listed from left to right:

Thomas Abraham – At Large, Position One
Russell C. Jones – District Three
Cyril Hosley – District Two
David G. Wallace – Mayor
Michael S. Schiff – District Four
Dennis Parmer – District One
Daniel O. Wong – At Large, Position Two

CITY OF SUGAR LAND OVERVIEW

The City of Sugar Land, located in eastern Fort Bend County, Texas is approximately twenty miles southwest of downtown Houston. The City was incorporated on December 29, 1959, encompassing only 2,265 acres. Through a series of annexations, the City has grown to its current size of approximately 32.18 square miles or 20,597 acres and an estimated population at January 1, 2007 of 76,787.

The federal government has recognized Sugar Land as a central component in a new title used to describe a nine-county area in the Gulf Coast. On June 6, 2003 the Executive Office of the President of the United States' Office of Management and Budget (OMB) announced an update to its metropolitan area definitions. Among the revisions is Houston – Baytown - Sugar Land, TX MSA (Metropolitan Statistical Area), previously known as Houston-Galveston-Brazoria, TX Consolidated MSA.

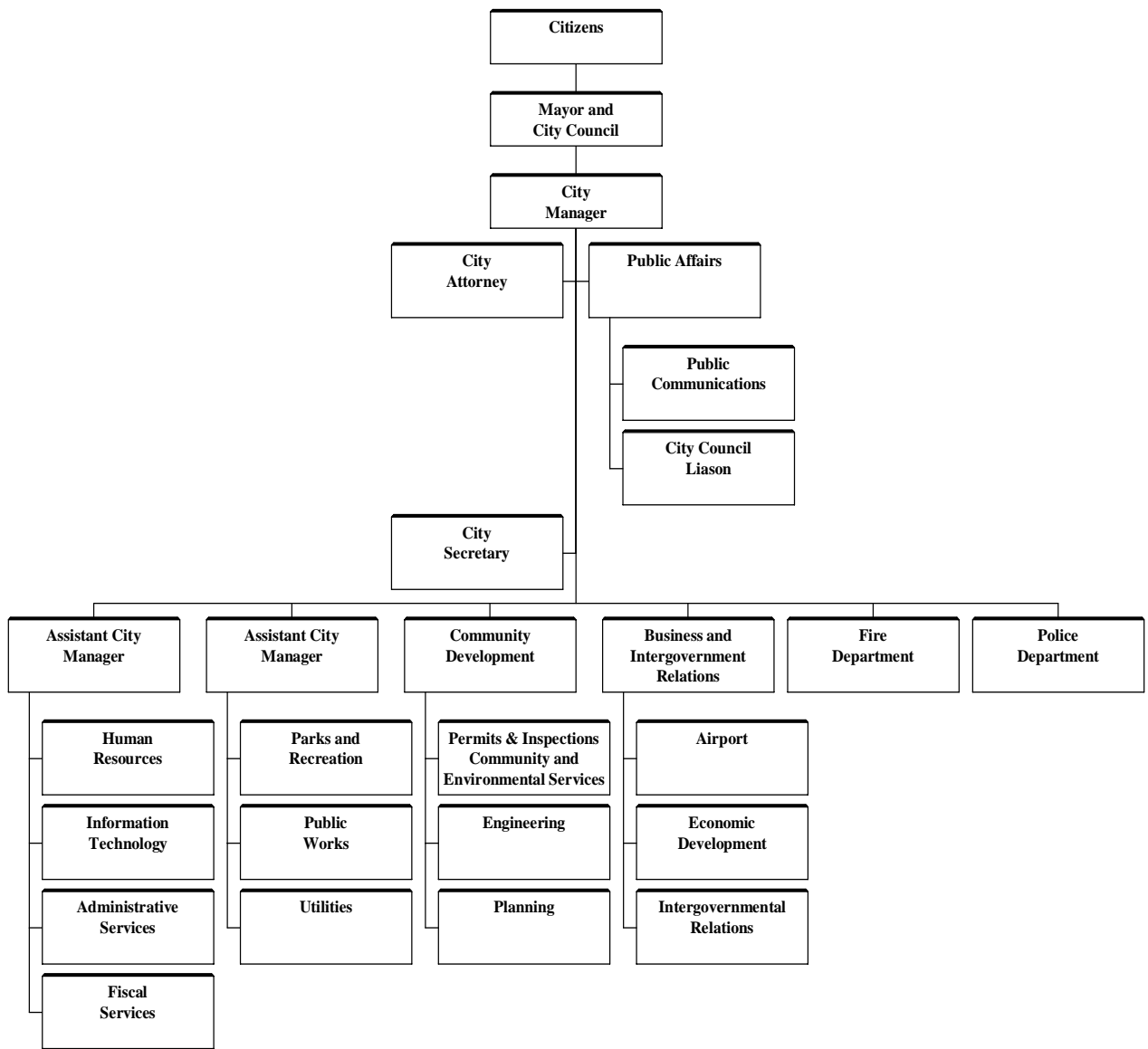


By definition, an MSA must have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties. The classification is intended to provide nationally consistent definitions for collecting, tabulating, and publishing federal statistics for a set of geographic areas. Sugar Land's MSA includes the following counties: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller.

CITY OF SUGAR LAND MISSION STATEMENT

"To enhance the quality of life in the community by a commitment to excellence in the delivery of public services."

City of Sugar Land Organizational Chart as of October 1, 2006



CITY OF SUGAR LAND OVERVIEW

CITY CHARACTERISTICS

The City of Sugar Land's rich history dates to the 1820s. What began as Mexican land grants to new settlers, evolved into a sugar cane plantation and then a company town owned by Imperial Sugar Company. Early in the 1950s, Imperial Sugar recognized that its vast holdings did not represent the most effective use of this land, and it began to sell its property. Sugar Land has evolved into a premier master-planned community, where a business park, retail centers and office buildings complement residential areas. The City is located 20 miles southwest of downtown Houston, boasts a population of 76,787 and is number one in population growth among the top 45 Texas cities. In 2006 Sugar Land *MONEY* Magazine and *CNN/Money* ranked Sugar Land the third best place to live in America. The consensus was that Sugar Land is one of the country's more diverse communities with excellent job opportunities and affordable housing. Among the top 10 cities, Sugar Land's economy ranked at the top with about a 31 percent job growth rate during the last five years. Sugar Land was also identified as the third most affordable place to live. Sugar Land's low crime rate, and strong health and education indexes all contributed to high marks for Quality of Life. The first edition of *Best Places to Raise Your Family: The Top 100 Affordable Communities* (Wiley, May 2006) in the United States ranked Sugar Land eighth in the *Best of the Best* top ten list. The *Best of the Best* towns were determined by demographics, standard of living, education, lifestyle, health and safety. Sugar Land was judged *Best of the Best* in Standard of Living, Education, Health and Safety and Lifestyle. The City placed in the top 10 for both Standard of Living and Education. Sugar Land operates as a council/manager form of government, one that takes a proactive approach in providing the highest quality of affordable services to meet the needs of its citizens.

Residents of the City of Sugar Land are very diverse. The ethnic/race make-up of the City's population according to the 2000 Census Profiles is 60.84% White, 23.75% Asian, 7.98% Hispanic, 5.12% Black, 2.31% Other- including those reporting two or more races. The median age of the population is 37.4 years, and 6.7% of the citizens are 65 years or older. The median housing value is \$158,000 and 84.1% of housing units are owner occupied. People with a high school diploma or higher represent 93.4% and 53.7% have a bachelor's degree or higher. Approximately 76.5% of residents are U.S.-born and 23.5% are foreign-born. The median household income is \$81,767.

EDUCATION

The City of Sugar Land is home to 16 of the 63 schools in the Fort Bend Independent School District: two high schools, four middle schools and ten elementary schools. Fort Bend ISD is the seventh largest and one of the fastest growing school districts in Texas. In 2005, America's Promise – The Alliance for Youth named Sugar Land as one of the top 100 Best Communities in the nation for young people. Sugar Land and Fort Bend ISD received the honor because of their commitment to help young people reach their fullest potential.

In the area, there are also three higher education institutions — University of Houston at Sugar Land, Wharton County Junior College and Houston Community College–Southwest. Offered at the University of Houston- Sugar Land are junior, senior and graduate level courses leading to 32 bachelor and master degrees. This allows students the convenience of taking classes close to home without having to drive in the heavy traffic of the Houston metroplex. Other educational opportunities are available near Sugar Land, including the University of Houston, Rice University, Houston Baptist University, University of St. Thomas, San Jacinto College, Texas Southern University and University of Texas-Houston Health Science Center.

HEALTH CARE

Located within the City are Methodist Sugar Land Hospital, Methodist Hospital Cancer Center, Memorial Hermann Sugar Land Health Care Center (outpatient), Sugar Land Cancer Center, Sugar Land Medical Center (outpatient surgical and diagnostic) and Triumph Hospital Southwest. In addition, there are numerous satellite offices affiliated with Houston's world-renowned Texas Medical Center. The City's close proximity to the Medical Center provides residents access to an abundance of even more top-rated healthcare facilities.

COUNCIL-MANAGER FORM OF GOVERNMENT

Sugar Land operates under the Council-Manager form of government. Under this system, Council appoints the City Manager, who acts as the chief executive officer of the government. The only other position appointed by Council is the Municipal Court Judge. The City Manager carries out policy and administers City programs. All department heads are ultimately responsible to the City Manager.

CITY OF SUGAR LAND OVERVIEW

ROLE OF CITY COUNCIL

- Appoint City Manager
- Establish City policy
- Legislative body
- Approve budget

ROLE OF CITY MANAGER

- Manage day-to-day affairs
- Enforce laws and ordinances
- Prepare budget
- Make recommendations to the Council on general welfare of the City

COUNTY CHARACTERISTICS

Fort Bend County, created from Austin County, is part of the Baytown- Houston- Sugar Land MSA with many residents commuting to jobs in Houston. In the ten years ending in 2000, Fort Bend County moved up three counties, to become the tenth largest county in Texas. Estimated population of Fort Bend County for 2000 is 354,452 with 17.9% residing in the City of Sugar Land. Fort Bend County is the 9th most ethnically diverse county in the United States with 46.2% White, 21.1% Hispanic, 19.6% Black, 11.2% Asian, and 1.9% other. Its citizens, by ethnic grouping, have the highest income and educational status in the entire Houston region. Median household income for Fort Bend County in 2000 was \$63,831 compared to Harris County \$42,598, Texas \$39,927, and the U.S. \$41,994.

Fort Bend County's labor force is comprised of highly educated and skilled workers. Of the population age 25 and above, 10% have graduate or professional degrees, 27% bachelor's degrees, 44% some college, and 70% are high school graduates. With a work force of approximately 238,656, employers find Fort Bend a prime location. Fort Bend County ranked 6th in the nation for economic strength and employment growth attributable to various factors such as high educational attainment levels, manufacturing and service sector diversity, above average earnings per job and high average household income. The cost of living in Fort Bend County is the lowest when compared to major cities such as Dallas, Boston and Los Angeles.

Due to the location of the City of Sugar Land to primary industrial centers in Fort Bend County and Houston, new and expanding growth will benefit the demand for new housing, retail, manufacturing, and other services.

TOP PRIVATE SECTOR EMPLOYERS

Employer	Type of Business
Schlumberger Oilfield Services	Energy Exploration Technology/Research
Fluor Corporation	Engineering & Construction
Tramontina USA	Cookware Manufacturer
Nalco Energy Services LP	Chemical Production
Baker Petrolite Corporation	Chemical Manufacturer
Noble Drilling Services, Inc.	Oil Drilling Service
Methodist Hospital	Health Care
Thermo Electron	Medical Lab Equipment
Houston Sigma Technology	Electronic Manufacturer
Fairfield Industries, Inc.	Geophysical Company

CITY SEAL



Dr. Alan Lake Chidsey designed the City seal, without the crown, in 1968. The crown was added to the seal in 1983. The seal is seen on official documents, the City flag, and City buildings.

CITY LOGO



The City logo offers a consistent image for the City of Sugar Land, respecting our past while portraying the dynamic nature of our community. The logo is seen on City uniforms, vehicles and publications.

CITY OF SUGAR LAND FINANCIAL PLANNING

The fiscal year begins October 1 of each year and ends on the following September 30. Each year the City Council adopts a fiscal plan containing the goals established by the City Council and the City Manager's plan to meet those goals.

BUDGET PROCESS

The annual budget process kicks off for departments in April with distribution of the base budget calculations prepared by the budget office. However, planning and preparations for the budget encompasses the full year. Departments identify funding needs through a variety of processes that are occurring throughout the year – departmental business plans, policy and management projects, and unfunded mandates from state and federal government are a few of the sources of budget requests. The chart below depicts the relationship between the annual program of services, the budget process, the strategic planning process and the visions & goals of the City. It illustrates that the relationship between the City Council, City Management, and Department Heads/Program Managers is a continual exchange of information. As such, the fiscal year 2006/07 budget process was designed to maximize communication between these three key groups.

Budgets are prepared for the full range of municipal services provided by the City: public safety, community services, water and wastewater services, aviation, public infrastructure, general administration and financial services.

See Exhibit I for key dates of the fiscal year 2006/07 budget calendar.

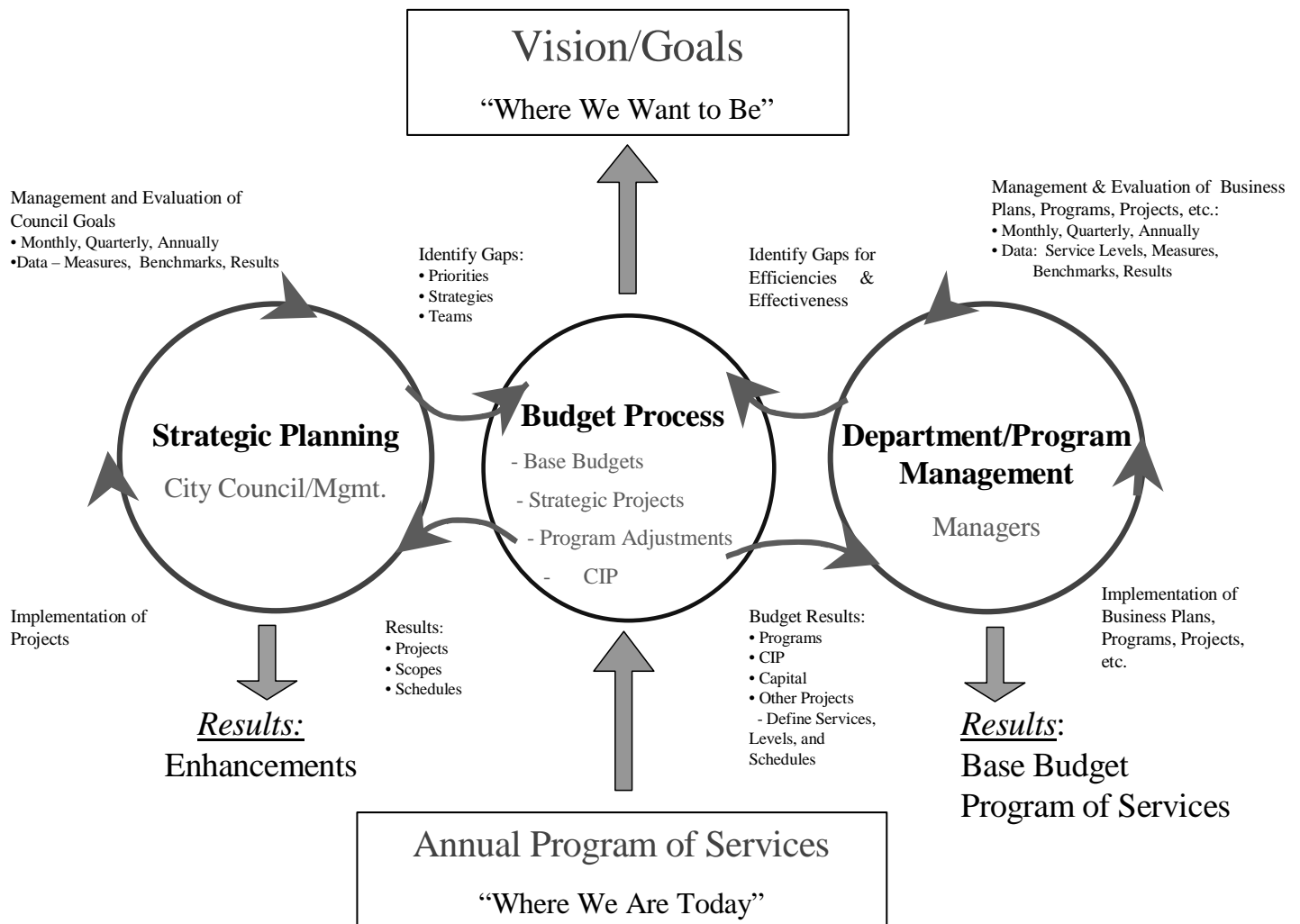


Exhibit I

City of Sugar Land Fiscal Year 2006/07 Budget Calendar	
FEBRUARY	<ul style="list-style-type: none"> • Meet with Department Heads on budget process and philosophy • Fiscal year 2005/06 projections due to Budget Office • Capital Improvement Program (CIP) project requests due to Budget Office
MARCH	<ul style="list-style-type: none"> • Budget Office review and update of projections • Review of preliminary income statements by City management • Review of CIP by City management
APRIL	<ul style="list-style-type: none"> • Budget Kick-Off Meeting- Program Managers & Department Heads <ul style="list-style-type: none"> ◦ Introduce and distribute fiscal year 2006/07 budget instructions ◦ Distribute fiscal year 2006/07 base budget by program to departments • Budget Office to identify CIP funding sources • Review of CIP by City Council • Council Workshop – Budget overview
MAY	<ul style="list-style-type: none"> • Second review of fiscal year 2005/06 projections due to budget office • Budget Office to finalize CIP funding sources • Line item allocation of base budgets by departments • Departments submit base and enhancement requests • Component Units (SLDC/SL4B) budget committee review
JUNE	<ul style="list-style-type: none"> • City management meet with departments to review budget allocations and base/enhancement requests • Make funding decisions within fiscal constraints • Component Units (SLDC/SL4B) to approve their budgets • Prepare five-year financial forecast
JULY	<ul style="list-style-type: none"> • Budget Office to finalize all funds • Distribute final budget to departments, including recommended enhancements • Prepare proposed budget packets, transmittal letter and budget presentation • July 25 –Budget filed with City Council • Final line-item allocations due to Budget Office
AUGUST	<ul style="list-style-type: none"> • Council Workshops: 7:30 a.m. – 9:30 a.m. <i>August 3 – Property Tax, Debt Service</i> <i>August 8 – General Fund</i> <i>August 10 – Utilities, Airport and Solid Waste</i> <i>August 17 – Capital Improvement Program</i> • August 16 – Public hearing on budget • Publish effective tax rate calculations
SEPTEMBER	<ul style="list-style-type: none"> • September 5 & 19 – Public hearings on tax rate • September 5 – Amend fiscal year 2005/06 budget • September 19 – Council adoption of fiscal year 06/07 budget, 2007-2011 CIP and 2006/07 Compensation Plan • September 26 – Council adoption of 2006 tax rate

CITY OF SUGAR LAND FINANCIAL PLANNING

This budget is presented in four sections: The first is the City Manager's letter and budget overview, which is a concise picture of the budget as a whole. Second is a City of Sugar Land overview, which explains about the City: its mission, geographic description, the budget process, and policies. The third is the Financial Section, which is a narrative and graphical summary of all funds. Each fund includes a fund narrative, fund financial summary, revenues, and expenditures by department and annual program of services by program. Each annual program of service includes a description of services provided, service level standards for fiscal year 2006/07, key performance indicators, staffing, and financial data. The last section includes the five-year forecast, Financial Management Policy Statements, copies of the ordinances relating to the budget, a discussion of the City's compensation plan, glossary of terms, and other relevant supplementary data. Throughout this document, the terms budget and financial plan are used interchangeably.

ANNUAL BUDGET PROCESS

The "official" annual budget process begins in April with a budget kick-off meeting for Department Heads and Program Managers. At that time, the base budget and budget calendar are distributed and key deadlines are identified. The annual budget process runs concurrent with development of the five-year Capital Improvement Program and the five-year financial forecast.

Prior to the annual budget process is a projection of anticipated current year expenditures. Departments identify areas where savings are anticipated, freeing up funds to be allocated for other identified needs. The Budget Office works with departments to re-estimate revenues and expenditures, and project where the City will end the fiscal year. A base budget for the new fiscal year is developed based on the current level of services provided by departments and known increases for expenditures such as personnel costs and contractual services. The base budget is then distributed to departments for line item expenditure allocation and departments submit requests for increases to base budget and enhancements. Governmental revenues are estimated based on assumptions for each revenue source (property valuation, historical sales tax collections, number of violations for municipal court, plats & plans for building permits, etc).

Preliminary income statements are developed for each fund and reviewed with City management in March; available funding is then identified for budget additions from base or enhancement requests. A base increase allows us to continue services at our current levels and keep the same level of services as demands increase such as population growth, commercial development, etc. Unfunded mandates are considered base increases. An enhancement is a new or an increased level of service or an expansion of current service levels that is designed to meet our City goals, or an increased quality of service. Enhancements can be a result of expanding services, completion of CIP projects that enhance services, or can be new services altogether. An enhancement can also be a reduction or elimination of a service that is currently being provided. Departments prepare requests for base increases and enhancements based on items identified through their departmental business plans and policy management projects and submit their requests to the budget office in May.

City management meets with departments in June to review base and enhancement requests. Requests are then prioritized and recommended to City Council for funding based on available resources. The budget is filed with City Council in July, and then reviewed in detail through a series of budget workshops. Changes that receive concurrence of Council are incorporated into the final budget, which is adopted by City Council in September. Departments then finalize their annual program of services and service level objectives based on program funding for the fiscal year. The Annual Budget and Program of Services is then compiled and distributed.

Annual operating budgets are adopted for the General Fund, Special Revenue Funds, Internal Service Funds, Component Units, and General Obligation Debt Service Fund. The budgets for the Enterprise Funds are adopted as a financial plan and guide.

CAPITAL IMPROVEMENT PROCESS

Annually, City staff prepares and files a Five-Year Capital Improvement Program (CIP). The CIP identifies needed capital improvements and financing for those improvements. The first year of the plan is incorporated into the annual budget to appropriate funds for the specific projects.

The five-year CIP is fiscally constrained for all years. Cost estimates for years two through five of the five-year CIP are for planning purposes only, to be used in conjunction with the five-year financial plan of the City to determine potential project funding sources or to adjust project timing based on affordability.

CITY OF SUGAR LAND FINANCIAL PLANNING

The CIP development process utilizes a "project ready" approach whereby the scope and budget for a proposed improvement are clearly defined prior to the appropriation of funds for construction. It is a multi-year process and may extend over a one to three year period. The CIP is a continuous process. Each year, future year projects are re-evaluated. Projects may be added, moved back or forward depending on the current assessment of priority and "project readiness". Project information is solicited from all departments, City Council, boards and commissions, and homeowner associations. Staff also maintains a list of potential projects from citizen requests received either by telephone, e-mail or through youth sports leagues. A recommended project list is compiled, prioritized by year, and cost estimates assigned.

Funding sources and levels are identified and developed through the Budget Office. Those projects which are deemed justified but have no identified funding source are included in the CIP, but listed as "unfunded". The CIP has several layers of review by project managers, Planning and Zoning Commission, Parks Board, and the City Manager. The recommended five-year CIP is filed with the annual budget in July. The City Council reviews the draft with any recommended changes incorporated into the final document.

A summary of the final five-year CIP is then prepared and filed with the annual budget for Council consideration and approval. Upon Council adoption, the five-year CIP document is reproduced and distributed for implementation of the program.

LEGAL REQUIREMENTS FOR THE BUDGET

Pursuant to Section 6.03 of the Charter, the City Manager is responsible for preparing an annual budget for submission to the council, for its review, consideration and revision. Both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year shall be filed not later than sixty days prior to the end of the current fiscal year. The budget, as adopted, must set forth the funding for services, programs, and activities of the various City departments. It shall also include a multi-year capital improvement program and a current year capital improvement budget.

The budget shall also include tax levies, tax rates, an itemization of all anticipated revenues from sources other than the tax levy, the amount required for interest on the City's debt, total amount of outstanding debts, with a schedule of maturities, and other such information as may be required by Council.

The City Secretary shall post at City Hall and publish in the official newspaper a notice stating the times and places where copies of the message and budget are available for public review, and the time and place, not less than two weeks after such publication, for a public hearing on the budget.

After the public hearing the City Council may adopt the budget with or without amendment. The budget is adopted by ordinance with one reading.

During the fiscal year, the City Manager may transfer appropriated balances allocated by the budget from one activity, function, or department, to another activity, function, or department. At any time in the fiscal year the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council may approve budget amendments during the fiscal year from available fund balances or unbudgeted revenue sources, such as acceptance of grants.

At the end of each fiscal year, any unencumbered appropriation balances lapse or revert to the undesignated fund balance, except for capital projects, which are adopted using project length rather than fiscal year. Open encumbrances carry forward to the next fiscal year, but the budget is not adjusted to reflect those encumbrances. After the close of the fiscal year, the Council has an opportunity to approve a budget adjustment for carry-over funding for non-recurring projects that were budgeted but not completed during the fiscal year.

BUDGET BASIS OF PRESENTATION

Governmental and Fiduciary Funds

Governmental fund budgets are prepared using the modified accrual basis. Revenues are budgeted when they are anticipated to be received and expenditures are budgeted in the period in which the liability is incurred, which is in accordance with Generally Accepted Accounting Principles. The fund balance approach of governmental funds or working capital approach can be identified as current assets less current liabilities. Governmental funds budget capital outlays as expenditures, but do not budget for non-cash expenditures such as accruals for sick and vacation liabilities and depreciation.

CITY OF SUGAR LAND FINANCIAL PLANNING

Budgetary fund balances differ from the GAAP basis fund balances, as they are adjusted for year-end accruals of revenues such as sales tax, franchise fees, and hotel occupancy taxes. Although these revenues are measurable at fiscal year end, they are not available to fund obligations of the City on a cash basis. As such, the budget will show a different beginning fund balance than the Comprehensive Annual Financial Report (CAFR).

Proprietary and Internal Service Funds

All proprietary funds are budgeted using a flow of economic resources, which is similar to the accrual basis of accounting, with exceptions listed below. Available balances are determined using the cash equivalent approach. The cash equivalent approach is defined as: cash + investments + accounts receivable + prepaid expenses - accounts payable = cash equivalents available.

- Revenues are budgeted in the period they are earned and measurable
- Expenses are budgeted in the period in which the liability was incurred.
- Depreciation of assets is not budgeted.
- Capital outlay is budgeted as an expense in the year purchased.
- Principal payments are budgeted as an expense rather than a reduction to the liability.
- Proceeds from bond sales are budgeted as revenue.
- Transfer of bond proceeds to the Capital Projects Fund is budgeted as an expense.

BASIS OF ACCOUNTING

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include sales and use taxes, hotel occupancy taxes, franchise fees, charges for services and interest on temporary investments. Property tax levies collected after the fiscal year-end, which would be available to finance current operations, are immaterial and remain deferred. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

All proprietary funds are accounted for on an accrual basis. Revenues are recognized in the period in which they are earned and become measurable, and expenses in the period in which they are incurred and measurable. Proprietary funds also record depreciation and amortization. Payment of principal is recorded as a reduction to the long-term liability.

IMPACT OF GOVERNMENT-WIDE FINANCIAL STATEMENTS (GASB34)

The City of Sugar Land implemented government-wide financial statements beginning with the year ended September 30, 2002. The government-wide statements present information about the City in a manner similar to those used by private sector companies. These statements include all assets and liabilities on an accrual basis of accounting, which is similar to the basis of accounting used by most private sector entities. The City has realized no impact to the annual budget based on the new reporting model.

FINANCIAL STRUCTURE

The accounts of the City are organized on the basis of funds and account groups, each of which operate separately and independently from each other. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. Following is a description of the fund types and funds contained within each. A more detailed description of each fund can be found within the fund summary of the individual funds.

Governmental Funds

General Fund: The General Fund is the general operating fund and is used to account for all financial transactions not properly included in other funds.

Special Revenue Funds: Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has eight special revenue funds: Court Security, Court Technology, Tourism, Fire Station Six,

CITY OF SUGAR LAND FINANCIAL PLANNING

Community Development Block Grant, State Seizures Fund, Federal Seizures Fund, and Local Law Enforcement Block Grant Fund.

Drainage Fund: Used to account for operations and maintenance property taxes designated for use by City Council for drainage operations and maintenance and pay-as-you-go capital improvements.

Debt Service Fund: Used to account for the payment of interest and principal on all general obligation bonds and other long-term debt.

Capital Projects Fund: Used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds for capital improvement projects. Projects are budgeted on a project length basis rather than a fiscal year basis, and funding carries over to the next fiscal year if the project is not completed.

Proprietary Funds

Enterprise Funds: Used to account for services that is financed and operated in a manner similar to private business where the intent of the governing body is that the costs of providing goods and services to the general public will be financed or recovered primarily through user charges. The City operates four enterprise funds: Water/Wastewater Utility, Airport, Solid Waste and Surface Water.

Internal Service Funds: Used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City has four internal service funds: Fleet Replacement, High Tech Replacement, Employee Benefits, and Property Insurance.

Fiduciary Funds

Component Units: Used to account for sales tax revenues for economic development activities and expenditures associated with promoting, assisting, and enhancing economic and industrial development activities. Each component unit has a separate board of directors. The City accounts for three component units: Sugar Land Development Corporation, Sugar Land 4B Corporation, and Sugar Land Town Square TIRZ. The Sugar Land Development Corporation is a blended component unit and is included as a special revenue fund in the government-wide financial statements.

FINANCIAL MANAGEMENT POLICY STATEMENTS

City Council approved Resolution No. 05-24 in May 2005 adopting the Financial Management Policy Statements. These statements give general guidelines for the development of fiscal policies to ensure that financial resources are available to meet present and future needs of our citizens and aid in fulfilling the goal of a responsible city government. The complete policy statements can be found in the Financial Policy Statements section of this document.

INVESTMENTS

The City's investment policy, approved by City Council annually, establishes specific guidelines for the conduct of the investment program. The City's investment policy applies to all funds of the City, and component units, unless the component unit specifically adopts its own investment policy. Currently authorized investments include obligations of the United States, its agencies, and the State of Texas, Certificates of Deposit issued by a state or national bank domiciled in this state and insured by the Federal Deposit Insurance Corporation, defined termination date Repurchase Agreements secured by obligations of the U.S. or its agencies pledged with a third party, select mutual funds, and investment pools rated no lower than AAA and AAA^m, or no lower than investment grade with a weighted average maturity no greater than 90 days.

All transactions are conducted on delivery versus payment basis and held by a third party designated by the City and evidenced by safekeeping receipts. In compliance with the Public Funds Investment Act, City Council reviews and approves the investment policy annually.

CAPITALIZATION POLICY

Capitalization criteria include expected useful life of two years or more; unit cost of \$5,000 or more, item is not consumed, unduly altered, or materially reduced in value immediately by use; the item belongs to one of the general classes of property which are considered fixed assets under Generally Accepted Accounting Principles.

CITY OF SUGAR LAND FINANCIAL PLANNING

Computer software is not capitalized due to fast changing computer technology. Items requiring regular replacement because of rapid wear are destroyed by one time use, and items that merely return the item to a functioning product are also not capitalized by the City.

The City maintains records of non-capital assets with a value of \$1,000-\$4,999, but does not capitalize these items for financial reporting purposes. Expenditures of this nature are considered operating expenditures.

AIRPORT TAX REVENUES

The Sugar Land Regional Airport was purchased by the City in 1990, and was annexed into the City in December of 1995, allowing the personal property at the airport to become taxable by the City. The City Council adopted a policy whereby tax revenues generated from airport property are to be used to support airport development and operations. The General Fund and Debt Service Fund each transfer an amount equal to the property tax revenues collected to the Airport Enterprise Fund. Using these funds to support airport activities enables the taxpayers of the airport to see a direct benefit from the annexation.

The Financial Management Policy Statements specify that City sales tax that is determined to be from the sale/purchase of aircraft based at the airport will be transferred to the Airport Fund, excluding the percentage allocated to the Economic Development Corporations. The proceeds that are allocated to the Economic Development Corporations will be identified as potential funding for airport projects that meet the legal requirements of the Corporations. The boards of each corporation have adopted and agreed to comply with the applicable provisions of the Financial Policy Management Statements.

FUND BALANCE

The City Council recognizes its responsibility to provide financial management and to ensure the City's sound financial condition at all times in order to maintain existing service levels, to respond to economic fluctuations, and to meet the demands of change. The current General Fund Balance Policy requirement is 3.0 months of normal recurring operating costs, based on current year expenditures. If the fund balance exceeds this amount, the following fiscal year budget may fund non-recurring expenditures from this amount to draw down the balance.

The Debt Service Fund balance shall be maintained in an amount established by bond covenants or a set percentage of the fiscal year's principal and interest requirements, whichever is greater. The Debt Service Fund Balance requirement for fiscal year 2005/06 is 15% of annual debt service requirements or a fund balance reserve as required by bond covenants, whichever is greater. The City has no formal debt policy but has debt guidelines that are addressed by the Financial Policy Management Statements.

Enterprise funds maintain an operating reserve at a set percentage of the current year's budgeted appropriations for operation and maintenance. The Utility Fund maintains a 25% reserve and the Airport Fund maintains a 15% reserve, at a minimum.

The Sugar Land Development Corporation and Sugar Land 4B Corporation each maintain a fund balance equal to or greater than 10% of the budgeted annual sales tax revenue for that year.

The Fleet and High Technology replacement funds each have a minimum fund balance of 10% of the inventory value that is covered by the fund.

CITY OF SUGAR LAND GOALS AND OBJECTIVES

Sugar Land 2007 and Beyond: Our Goals

The City of Sugar Land City Council has identified and developed six goals to direct the City's growth and define the responsibilities of its staff. This "picture" identifies goals and the challenges that the City will face in the near future. Each year the City reviews these goals and the progress being made toward them. Underlying each goal are objectives for the City to strive for in the near future. The goals and objectives were adopted through Resolution 04-20 in June 2004 to provide direction to staff in strategic planning efforts.

The six City goals are as follows:

- Safest City in Area
- Well Planned Community
- Mobility for People
- Responsible City Government
- Strong Local Economy
- Livable Neighborhoods

This budget reflects these goals. Although the City adopts a one-year budget, the budget implements multi-year programs and strategies that extend programs and affect future budgets. Within each goal, objectives are identified for City staff to achieve in reaching these goals. For each of the six City goals, the objectives will be presented and the goal measures which will be tracked by staff and reported to Council quarterly and at the conclusion of the fiscal year.

Long-term goals and objectives established through the Comprehensive Plan, "Vision 2021", include principles to guide the City's future. An update the City's Comprehensive Plan was adopted in February 2003, and is presented at the end of this section.

Objectives	Goal Measures
GOAL 1: WELL PLANNED COMMUNITY	
<ul style="list-style-type: none"> • Predictable, Compatible Land Uses Through Zoning And Comprehensive Planning 	<ul style="list-style-type: none"> • Percent of Development Decisions Consistent with Land Use Plan • Percent of Citizens that Believe the City is a Well Planned Community that Ensures Land Use Compatibility for Residential, Commercial & Retail
<ul style="list-style-type: none"> • Adequate Infrastructure And Services To Support Growth And To Sustain Our Existing Community 	<ul style="list-style-type: none"> • Ratio of Actual Capacity to Permitted Capacity <ul style="list-style-type: none"> ○ Water Supply ○ Wastewater Treatment • Recommendations from master plans included and funded in the Five Year CIP <ul style="list-style-type: none"> ○ Parks, Water, Wastewater, Facilities, Thoroughfare, Drainage, Hike & Bike
<ul style="list-style-type: none"> • Consistent Development Standards And Processes 	<ul style="list-style-type: none"> • Consistent Development Standards: <ul style="list-style-type: none"> ○ City Council ○ Planning & Zoning ○ Developer
<ul style="list-style-type: none"> • Creating An Environment To Encourage Citizens To Live, Work, Play And Shop In Sugar Land 	<ul style="list-style-type: none"> • Quality of Life Index (from bi-annual Citizen Survey)
<ul style="list-style-type: none"> • Annexation Agreements To Establish Critical Paths And Trigger For Action 	<ul style="list-style-type: none"> • Percent of ETJ MUDs with a Strategic Partnership Agreement

CITY OF SUGAR LAND GOALS AND OBJECTIVES

Objectives

Goal Measures

GOAL 2: SAFEST CITY IN AREA

- | | |
|--|---|
| <ul style="list-style-type: none"> • Rapid Response To An Emergency: Police, Fire, EMS, Public Works • Improved Emergency Preparedness Through Better Coordination And Intergovernmental Cooperation • Lowest Crime Rate In Houston Area • Work With Community Through Partnerships In Safety For Education And Prevention • Work Highly Visible With People Feeling Safe And Confident In The Response | <ul style="list-style-type: none"> • Response Time (9-1-1): <ul style="list-style-type: none"> ○ Police ○ Fire/EMS ○ Public Works • Percent of After Action Review critiques and improvements implemented from drills and EOC activations • Comparison: Violent Crimes <ul style="list-style-type: none"> ○ Area Cities over 25,000 population ○ National Benchmark Cities • Neighborhoods Participating in the Crime Watch Program • Citizen Safety Index • Citizens Feel Safe <ul style="list-style-type: none"> ○ In Neighborhoods, Shopping Areas, City Park • Police Visibility • Speed of Response |
|--|---|

GOAL 3: STRONG LOCAL ECONOMY

- | | |
|--|--|
| <ul style="list-style-type: none"> • Diverse Economy With The Ability To Be Sustaining During Economic Changes • Development of: <ul style="list-style-type: none"> ○ Texas Energy Center ○ University Of Houston • Development As A Regional Employment Center • Balanced Tax Base: Commercial Development, Sales Tax Generators • Adequate Funding For Economic Development Activities | <ul style="list-style-type: none"> • Square Footage by Commercial Industry <ul style="list-style-type: none"> ○ Services, Medical, Target Industry, Retail • Percent of Sales Tax by Category • Total Sales Tax Collection per Capita • Property Valuation per Zoned Acre: Residential/Commercial • Total Number of Jobs by Industry • Number of Jobs Created • Capital Investment Dollars • Number of Businesses • Number of Students (Undergrad/ Graduate) • Number of Employees- Top Ten Employers • Number of Sugar Land Jobs per Household • Ad Valorem Tax Breakdown <ul style="list-style-type: none"> ○ Commercial vs Residential • Percent of Sales Tax Generated by Top 20 Taxpayers • Percent Funding of Economic Development Implementation Plan |
|--|--|

GOAL 4: RESPONSIBLE CITY GOVERNMENT

- | | |
|---|--|
| <ul style="list-style-type: none"> • Cost-Effective Delivery Of City Services: Value For Tax Dollars | <ul style="list-style-type: none"> • Recurring Cost per Capita, Connection & Household • Citizen rating of City Services • Tax Rate • Business Satisfaction with City Services |
|---|--|

CITY OF SUGAR LAND GOALS AND OBJECTIVES

Objectives	Goal Measures
<ul style="list-style-type: none"> Championship Workforce: Professional, Well Trained, Appropriately Compensated City Operating As A Service Business A Leader In Customer Service - Superior Service Easy Access To City Government: Information And Services Consistent Financial Policies 	<ul style="list-style-type: none"> Turnover Rate (by position) Salary Comparison by Percentile in the Market Employees per Capita (FTE) Benefit Burden Customer Response Management <ul style="list-style-type: none"> Number, Response Time, Satisfaction Level Citizen Satisfaction with City Contact by Department Number of City website hits Number of Online Transactions Citizens Believe the Information is Useable and Accessible Number of Subscribers to E-News Audit Opinion & Number of Management Comments Compliance with Financial Policies Bond Rating
GOAL 5: MOBILITY FOR PEOPLE	
<ul style="list-style-type: none"> Predictable Travel Times – Get Around City With Minimum Congestion, Maximum Safety Well Designed And Maintained Streets, Lights And Streetscapes Quick Response To Traffic Problems And Issues Development Of Multi Modal Options For Sugar Land - Beyond Your Car Easier North-South Movement Within The City 	<ul style="list-style-type: none"> Congestion Index % of Streets Meeting Pavement and Ride-Ability Index Citizen Rating on Streets Response Time to Clear Priority Traffic Congestion Citizen Rating- Peak Hour Traffic Management Numbers using Non-individual Transportation <ul style="list-style-type: none"> Cars, TREK CIP Projects Completed
GOAL 6: LIVABLE NEIGHBORHOODS	
<ul style="list-style-type: none"> Protecting The Identity And Integrity Of Neighborhoods Older Commercial Areas Redeveloped And Reused Emphasis On Homeownership and Maintenance 	<ul style="list-style-type: none"> Neighborhood Livability Index Occupancy Rate of Targeted Buildings/Centers Percent of Residential Property Occupied by Owner Percent of Code Violations Abated <ul style="list-style-type: none"> By City By Owner City Adequately Enforces Codes by Category <ul style="list-style-type: none"> Noise High Weeds/Grass Zoning

CITY OF SUGAR LAND GOALS AND OBJECTIVES

COMPREHENSIVE PLAN

Adopted in February 2003, the Comprehensive Plan, “Vision 2021”, sets long-term goals and principles to guide the development of the City and its’ shorter-term goals. Those goals and principles are included in this discussion of City goals and objectives for reference purposes.

Principles

- Mobility For Our Citizens Through Multi-Modal Transportation System
- Attractive Beautiful City: Residential Neighborhoods-Business/Commercial Areas - Public Areas
- Economically Sustainable City
- Quality Infrastructure and Service Capacity Before Development
- Balanced Community: Residential (60-70%) - Commercial (20-30%) - Industrial / Office (10-20%)
- Livability For Families: All Generations
- Redevelopment Of Older Neighborhoods And Commercial Areas
- Gathering Places and Green Spaces For Community
- Marketplace Destination: Places for People to Stay, Shop, Eat, and be Entertained

Goals

Safe and Beautiful City - Preserve and enhance a beautiful City that is clean, safe and aesthetically pleasing, a City that will foster pride and appeal to our citizens, corporate community and visitors.

Economically Sustainable City- Promote a vibrant diversified economy that enhances the quality of services while maintaining a competitive tax rate.

Effective Land Use- Achieve a balanced and orderly use of land that will preserve and enhance the quality of life within Sugar Land while developing a diverse and sustainable City.

Redevelopment- Promote redevelopment in harmony with the surrounding community.

Transportation and Mobility- Provide a multi-modal transportation system that economically accommodates the convenient, efficient and safe movement of people and goods while working to maintain neighborhood integrity.

Infrastructure- Provide and maintain quality infrastructure and facilities that ensure high levels of service while accommodating growth.

Annexation- Expand the corporate limits of the City in a prudent manner while considering the long and short-term impacts.

Airport Development- Operate, maintain and develop the airport’s infrastructure, balancing airport needs with the needs of the community while maintaining fiscal responsibility.

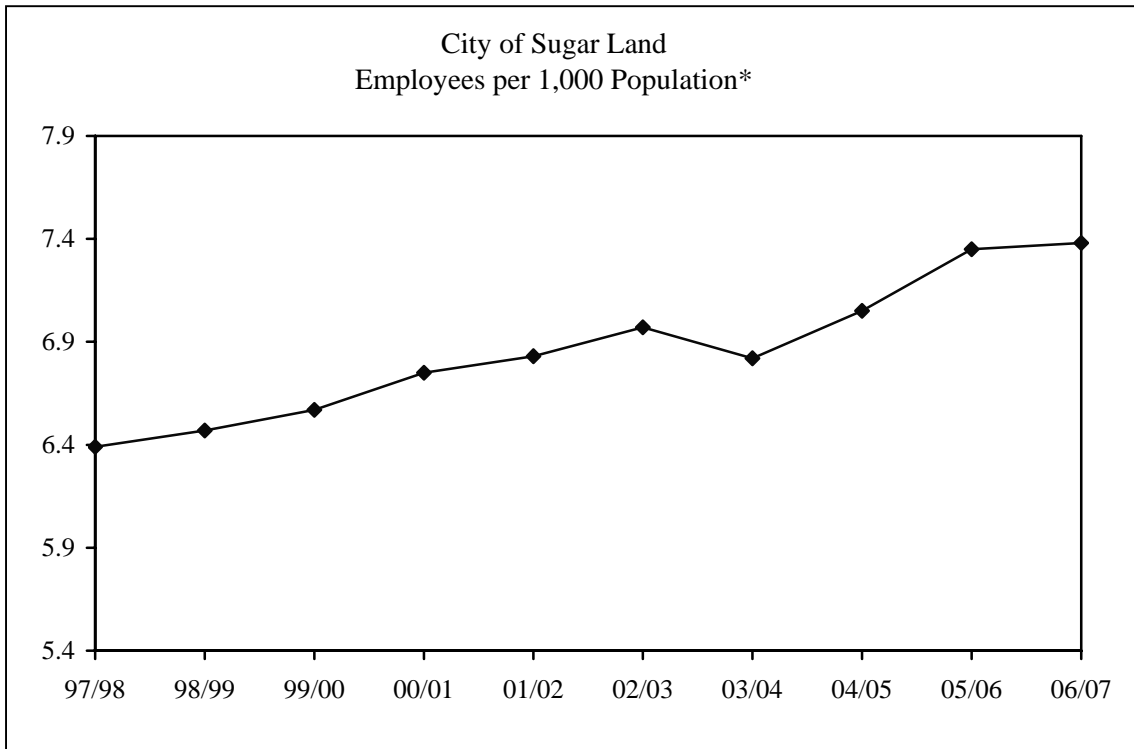
Parks, Recreation, Leisure and Open Space- Provide a park system that meets the total recreation and leisure needs of the community. Identify, protect and preserve open spaces and critical natural areas.

Cultural Arts- Provide and/or support activities and facilities that enrich the artistic, cultural, educational and historical character of Sugar Land.

Historic Preservation- Preserve, protect and enhance natural, historical, cultural and architectural features.

Community Involvement- Provide equal opportunity and encourage participation of all citizens in the economic, social and civic life of the community, while recognizing racial, cultural, religious, age and individual differences of this diverse community.

Planning for the Future- Continue to refine and expand the vision of Sugar Land as a dynamic guide for the future.



* Excludes 12 Firefighters for Station Six beginning in fiscal year 2002/03

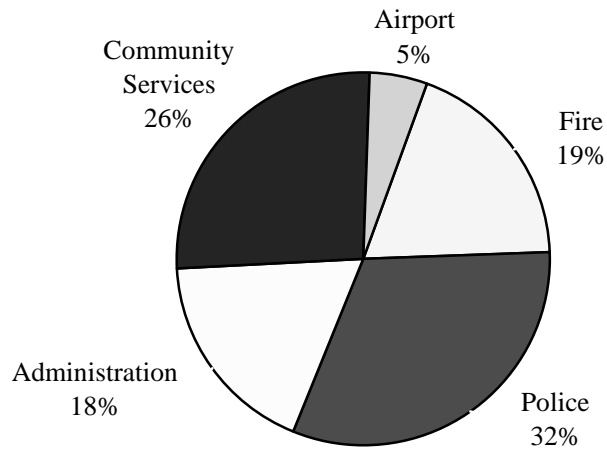
Year	Full Time Employees*	Population**	No. of Emp. Per 1,000 Pop.
1997/98	380	59,448	6.39
1998/99	399	61,587	6.47
1999/00	412	62,637	6.57
2000/01	431	63,820	6.75
2001/02	448	65,585	6.83
2002/03	461*	66,129	6.97
2003/04	471	69,129**	6.82
2004/05	499	70,758	7.05
2005/06	547	74,472	7.35
2006/07	566	76,787	7.38

Employees per 1,000 residents for fiscal year 2006/07 are 7.38, a 3.4% increase over 7.35 for fiscal year 2005/06.

*Beginning in fiscal year 2002/03, calculations exclude twelve firefighters for Fire Station Six, as that fire station is funded through user fees paid by the residents outside the City of Sugar Land who will be served by the station.

**Beginning with fiscal year 2003/04, estimated population is measured as of January 1st; in prior years population is as of September 30th (fiscal year-end).

City of Sugar Land
FY 2006/07 FTE
Employees by Service Area



Year	Police	Fire	Community Services	Airport	Administration	Total
2002/03	143.5	102	107.7	20	99.7	472.9
2003/04	147.5	102	109.7	20	104.2	483.4
2004/05	158.5	103	114.7	24	111	511.2
2005/06	174.5	104	130.2	27.5	123.2	559.4
2006/07	176.5	105	141.2	29.5	126.2	578.4

Public Safety includes Police and Fire. Community Services includes Public Works, Utilities, Parks & Recreation, and Community Development. Administration includes City Manager, Assistant City Managers, City Secretary, Public Communications, Human Resources, City Attorney, Information Technology, Business and Intergovernmental Relations, Administrative and Internal Services and Fiscal Services.

There are 18 new positions added in fiscal year 2006/07: a Security Administrator and Project Manager in Information Technology, a Mechanic and Building Services Technician in Administrative and Internal Services, two Park Laborers and two part-time Park Supervisors, Permit Clerk Supervisor, Code Official, increasing a part-time Secretary to full-time, a Crime Analyst, and Fire Inspector. Utility positions include two Crew Chiefs, a General Maintenance Technician, a Laborer and a Pump & Motor Technician. Airport additions include a Business Manager and a FBO Manager.

The Fire Department total includes twelve firefighters for Station Six, which is located outside the City limits and funded through user fees.

CITY OF SUGAR LAND
HISTORICAL SUMMARY OF AUTHORIZED FULL-TIME EQUIVALENTS

	FY 04/05	FY 05/06	FY 06/07 Base	FY 06/07 Additions	FY 06/07 Total
General Government					
City Manager	7	8	6		6
Assistant City Managers	4	3	3		3
City Secretary	7	8.7	8.7		8.7
Public Communications	6	7	7		7
Human Resources	9.2	10	10		10
City Attorney	4	5	5		5
Information Technology	10	13	13	2	15
Total General Government	47.2	54.7	52.7	2	54.7
Business & Intergovernmental Relations					
Intergovernmental Relations		3	4		4
Economic Development	4	3	3		3
Total Business & Intergovernmental Relation	4	6	7		7
Administrative & Internal Services					
Purchasing	4.25	5	5		5
Risk Management	1	1	1		1
Fleet Maintenance	4	4	4	1	5
Facilities Maintenance	6	7	7	1	8
Total Administrative & Internal Services	15.25	17	17	2	19
Fiscal Services					
Administration	2	3	3		3
Budget & Research	5	5	5		5
Accounting	12	12.5	12.5		12.5
Municipal Court	14.5	12	12		12
Treasury	11	13	13		13
Total Finance	44.5	45.5	45.5		45.5
Parks & Recreation					
Administration & Development	5	6	6		6
Recreation & Facilities	3.5	5	6		6
Park Maintenance	11.2	11.7	11.7	2.5	14.2
Total Parks & Recreation	19.7	22.7	23.7	2.5	26.2
Community Development					
Administration	1	1	4.5	-0.5	4
Permits	10	13	12	1	13
Community & Environmental Services	4	4	5	1	6
Engineering	6	7.5	7		7
Planning	8	8	7	1	8
Total Community Development	29	33.5	35.5	2.5	38

CITY OF SUGAR LAND
HISTORICAL SUMMARY OF AUTHORIZED FULL-TIME EQUIVALENTS

	FY 04/05	FY 05/06	FY 06/07 Base	FY 06/07 Additions	FY 06/07 Total
Public Works					
Administration	4	4.5	4.5		4.5
Streets / ROW / Drainage	13	16	15		15
Capital Projects	8	9	8		8
Traffic Operations	8	8	9		9
Solid Waste	1.5	1.5	1.5		1.5
Total Public Works	34.5	39	38		38
Utilities					
Administration	9.5	10	9		9
Water Distribution/Production	7	9	9	3	12
WW Collection/Treatment	7	7	7	2	9
Customer Service	7	8	8		8
Surface Water		1	1		1
Total Utilities	30.5	35	34	5	39
Airport					
Administration	4	5	4	1	5
FBO Services	17	18.5	18.5	1	19.5
Maintenance	3	4	5		5
Total Airport	24	27.5	27.5	2	29.5
Police					
Administration	6	6	6		6
Staff Services	9	9	9		9
Operations Bureau	108	120	121	1	122
Support Bureau	35.5	39.5	39.5		39.5
Total Police	158.5	174.5	175.5	1	176.5
Fire					
Administration	5	5	6		6
Operations	88	89	88		88
Prevention	5	5	5	1	6
Emergency Management	2	2	2		2
Training & Public Education	3	3	3		3
Total Fire	103	104	104	1	105
TOTAL EMPLOYEES	510.15	559.4	560.4	18	578.4
% Increase -- Year to Year	5.53%	9.65%	0.18%		3.40%
Population	70,758	74,472	76,787		76,787
Employees per 1,000 population*	7.04	7.35	7.14		7.38

*Excludes twelve firefighters for Fire Station #6, located outside the City limits.

CITY OF SUGAR LAND
CITY PROFILE

	FY 2003/04	FY 2004/05	FY 2005/06 Projections	FY 2006/07 Estimate
City of Sugar Land				
Population (January 1st estimate)	69,129	70,758	74,472	76,787
Square Miles	25.87	29.4	29.4	32.18
Acres	16,557	18,816	18,816	20,597
Budgeted Full Time Employees	483.4	511.15	550.4	578.4
Total Operating Budget	\$97.5M	\$128.8M	\$136.0M	\$141.6M
Fire Protection				
Number of Stations	6	6	6	6
Certified Firefighters	97	97	98	98
Calls for Service	6,198	5,894	6,018	6,264
Police Protection				
Number of Stations	1	1	1	1
Certified Police Officers	109	114	126	126
Calls for Service	73,820	54,216	98,868	99,500
Parks & Recreation				
Number of Parks	19	19	19	19
Park Acreage	352	357	358	358
Swimming Pools	1	1	1	1
Community Centers	6	6	6	6
Special Events Offered	12	11	12	12
Public Works				
Lane Miles of Streets	804	811	862	862
Linear Miles of Sidewalk	360	367	367	367
Miles of Storm Sewer/Open Ditch	224	230	230	230
Traffic Signals Maintained	60	67	69	75
City Facilities	45	46	58	58
Utilities				
Equivalent Single Family Connections	35,210	35,910	37,579	37,579
Water Produced (Million Gallons)	4,454	4,999	5,234	5,300
Wastewater Treated (Million Gallons)	3,195	2,995	2,820	3,200
Community Development				
Building Permits Issued	4,884	5,224	6,679	8,000
Airport				
Gallons of Fuel Sold	2,325,386 *	2,140,159	2,461,868	2,625,741
Aircraft Served	13,466 *	12,272	13,696	13,700

* Includes Super Bowl XXXVIII

